3: Hiscocks G~4, 5 (1946-1949) 1953 EK1 Austria EK1

a time when the country was struggling to rebuild its economy, one of its main sources of wealth was in a state of convalescence.

Highly skilled workers are one of Austria's chief economic assets, and between the Wars consumer-goods and luxury industries played an important part in her economic life. This side of her economy declined seriously during the German occupation. As part of the deliberate plan to turn the country into an arsenal, workers were diverted from secondary industries and agriculture to the large new war-production centres that were established.

The great Hermann Goering Iron and Steel Works were set up at Linz, with their own coking plant. Sixty miles away at Ranshofen near the River Inn a big aluminium plant was built. There were several reasons for these developments. The fundamental idea was to provide a reserve of vital war industries in a district less vulnerable to enemy attack. Just as the Russians transferred some of their main war industries to Central Asia, so Hitler wanted to have some of his production centres farther away from Allied bomber bases. Secondly, there were certain economic considerations in favour of the two sites. Both were on important waterways. Linz was some sixty miles from the iron ore of the Erzberg, or Iron Mountain, in Styria and not far away from the low-grade ore of Bavaria. Ranshofen was reasonably close to the Hungarian bauxite deposits and conveniently situated in relation to the Third Reich's electricity network, cheap current being the main consideration in the siting of an aluminium works. Further, there were reasons of sentiment and prestige for the choice of location. Hitler was born in Braunau, a few miles from Ranshofen, and went to school in Linz. It seemed fitting that the scenes of the Führer's youth should become centres of war production.

From the purely Austrian point of view, however, such developments were not so satisfactory. Hardly one of the considerations that influenced German leaders would have carried weight with an independent Austria. The strategic and sentimental arguments were both irrelevant. Neither Bavaria nor

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

Hungary could be relied on to supply iron ore or bauxite, and the existing iron and steel works at Donawitz in Styria were better situated than Linz to handle ore from the Iron Mountain. Ranshofen was not well placed in relation to Austrian supplies of electric power. Above all, the Hermann Goering Works were entirely dependent on the supply of hard coal for their coking furnaces, and Austria was already seriously short of this essential commodity. Whereas Hitler had the coal-fields of Poland and Czechoslovakia at his disposal, Austria in pre-War years had already been dependent on imports for two-thirds to three-quarters of her coal supply. The requirements of the Linz works made the position much worse.

The new developments implied a fundamental change of emphasis in the whole national economy, and it was by no means certain, or even likely, that the change would be for the better. It would probably have been sounder for Austria to rely on the traditional skill of her workers in the consumer-goods industries than to attempt to compete with the most powerful industrial countries in basic production. The dangers might not be apparent in the immediate post-War years, owing to the inflated demand for iron and steel products, but they were likely to reveal themselves in the course of time. A serious depression in the world's basic industries or a failure to obtain the coal and raw materials on which Austria's basic industries depend might have very serious consequences on the country as a whole. The choice, however, was not Austria's own. The change that occurred was the main positive legacy of the period of Nazi occupation.

Two of Austria's chief natural resources are her mineral oil and her hydro-electric power. These were developed by the Germans rapidly during the War, but in each case with little regard to Austrian interests.

Under happier conditions Austria's oil-fields would have raised her from a struggling country to a prosperous one. It is one of the hardest blows that have fallen on the Austrian people that such a gift of Providence should have been exploited successively by two unscrupulous foreign Powers and should

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

provide the country's metal-finishing industries with the sheets, rods, and other forms of metal that they required. In this way the producer-goods industries would contribute to the success of the consumer-goods industries, which would become independent of imports and would give Austria's traditional skill and craftsmanship the opportunities they required. The benefit to the whole economy is indicated by the fact that a given weight of finished aluminium products has on an average five times the value of a similar weight of raw aluminium. An Austrian member of Parliament pointed out in 1947 that no skill would be required in Austria to buy 10,000 wrought-iron candlesticks, but that it might well be difficult to get hold of a handful of nails. Such a state of affairs would in the long run be inexcusable in post-War Austria, and it was one of the duties of the E.R.P. planners to make it impossible.

The Hermann Goering iron and steel works in Linz, which became the Vereinigte Österreichische Eisen- und Stahlwerke (United Austrian Iron and Steel Works) and are usually known as VÖEST, were planned for a total output of a million tons of iron and steel a year. Before the War ended five of the six blast-furnaces were completed, while the annual production of steel only amounted to 250,000 tons. It was important that the output of steel and sheet-metal should be greatly increased. With this end in view a large outlay of capital was planned for the installation of steel production plant and rolling-mills at Linz and for replacing the rolling-mill at Donawitz. The ERP long-term programme aimed at decreasing the value of pig-iron exports from $9 million to $5 million within four years and at simultaneously increasing the value of rolled steel products from $25 million to $34 million. At Ranshofen finishing works were planned that were capable of handling 15,000 tons of aluminium a year, a figure based on the estimated home consumption.

The nitrogen works at Linz were to be developed and adapted so as to produce 40,000 tons of sulphuric acid a year and 100,000 tons of ammonium sulphate. This would give to their products greater variety and competitive power in world

471 some federal ministries as well as the reorganization
655 of the sphere of action of others), is being taken care of by the federal ministry for traffic and nationalized enterprises, the administration of the nationalized commercial banks falls within the competence of the Federal Ministry of Finance. The nationalization comprises:

[453] 1.) The large banks (Creditanstalt-Bankverein, Oesterreichische Länderbank AG, and Hypotheken- u. Kreditinstitut);

[382] 2.) The most important enterprises of the iron and steel industry (Oesterreichische Alpine Montangesellschaft, Vereinigte Oesterreichische Eisen- und Stahlwerke A. G., Linz, Schoeller-Bleckmann Stahlwerke A. G., Vienna, Gebrüder Böhler u. Co., A. G., Vienna);

[314] 3.) The most important coal mines (Wolfsegg-Traunthaler Kohlenbergwerke A.G., Linz, Steirische Kohlenbergwerke A.G., Vienna, Lankowitzer Kohlen-Compagnie, Vienna, etc.);

[394] 4.) A number of important enterprises of the
[393] electric and machine manufacturing industry (AEG-Union Elektrizitätsgesellschaft, Vienna; Simmering-Graz-Pauker A. G. für Maschinen-, Kessel- und Waggonbau, Vienna, etc.);

5.) The Oesterreichische Stickstoffwerke A. G., Linz;

[316] 6.) The most important non-ferrous mining enterprises (Bleiberger Bergwerks-Union, Klagenfurt; Montanwerke Brixlegg Ges. m.b.H., Brixlegg; Kupferbergbau Mitterberg, Münlbach am Hochkönig; Aluminiumwerk Mattighofen-Ranshofen);

[505] 7.) The Erste Donau Dampfschiffahrtsgesellschaft, Vienna;

[377] 8.) The large enterprises producing electric power; and, finally,

[315] 9.) The enterprises for the exploitation of crude oil.

With the enacted legislation the ownership-rights (re: corporations) or the assets and liabilities of certain enterprises (limited companies, etc.) or plants (branch establishments of enterprises located abroad) became the property of the Republic of Austria. This in turn implied also the transfer of the administration of the nationalized enterprises to the Austrian government, provided that such enterprises were not located within the Russian zone (USIA establishments) and therefore beyond Austrian control. The enforcement of the nationalization, however, is not completed because:

mechanization and electrification are being carried out. A number of new shafts and research and boring operations are also being pushed. In 1950, 75 million schillings from ERP funds was allotted to mining. The total output of Austrian coal mines, about 92.7 per cent nationalized, was approximately 4 million tons in 1950. The output will be increased to 6 million tons annually according to the reconstruction program for 1950-52. 316 454

(2) Iron and steel production.

The structure of the iron and steel industry after the war was essentially different from that of 1938. While the capacity of blast furnaces and steel plants (and to a degree also of steel foundries, forges, gross rolling works, coke ovens and finished steel operations) has increased, ingot operations and medium and fine quality plates (especially rolled metals) have suffered in their capacity and in their functional coherence by removal of equipment (Demontage). In addition to this a large part of the means of extraction and transportation at the Erzberg in Styria, the modern electric gross rolling works at Donawitz, as well as various items of equipment in the iron and steel works (particularly that for the production of rolled metals) has been lost. On the other hand, plants which were only half completed and too big for Austrian industry (such as the six blast furnaces at Linz) had to be taken over so that there was an over capacity of raw iron, steel castings and forging items. The planning for the iron and steel production was worked out by the federal ministries in collaboration with experts of the steel industry after extensive and careful exploratory surveys. They aimed to carry out modernization and completion of the steel works so as to balance future production with the expected sales; utilize the existing works to the highest extent possible and moving of workers from one place to another would be avoided; accomplish the necessary completion of plants for overall production and the closing of production gaps; modernize obsolete plants in order to get more and better economic production. The following considerations were taken into account: solution of the problem of the distribution of production of commercial steel and gross-rolled steel in the two largest Austrian plants (the Oesterreichische Alpine Montan-Gesellschaft in Donawitz and the Vereinigte österreichische Eisen- und Stahlwerke AG in Linz); balancing of production programs of the four large Austrian steel plants (Gebrüder Böhler und Co. A.G., Schoeller-Bleckmann of the Alpine Konzern in Donawitz and in 327

327 Judenburg, on the other hand.

While the annual production of raw steel amounted to 650,000 tons in prewar years, there must be an increase in this amount to 1 million tons annually by 1952 (that is, after the end of the Marshall Plan). This takes into consideration demands and the total demands of Europe for steel. Accordingly, the investments were balanced as follows:

(a) The increase of iron-ore production to approximately 2.2 million tons a year at the Erzberg (Styria), at the Radmer near Hieflau and at Hüttenberg (Carinthia). (This project is one of the biggest in the investment programs.)

(b) The renovation and modernization of steel works. To secure the full utilization of raw-steel production, gross rolling mills and tin plate works were established or renovated. To mention only some of the big projects: the renovation of the worn-out Block-Trio rolling mill at Donawitz (Alpine Montan-Gesellschaft) by a continual billet-rolling mill; the building of a cold-band rolling mill at Krieglach (Alpine Montan-Gesellschaft); the plate works, the building of a five-sectioned broad band rolling mill, the coal rolling mill at the Vereinigte österreichische Eisen- und Stahlwerke AG at Linz; the refined steel rolling mill at the Schoeller-Blackmann Stahlwerke AG in Hönigsberg near Mürzzuschlag (where also a plant for the production of railway materials will be renovated); the extruding press and wrought-iron press at Turnitz; a plant for the production of deep mine drilling tools and equipment, the new sheet rolling mill and the rod mill at Kapfenberg (Gebrüder Böhler und Co. AG). (The new plant in Donawitz began operations in 1950. It is valued at $7,380,000. For the rest of the [652] iron and steel industry 274.7 million schillings were allotted from ERP funds. This represents 37.8 per cent of the 700 million schillings ear-marked for the investment program for 1950-52.)

(3) Investments in the metal industry, ore mining and smelting.

327 This branch of industry was partly war-damaged,
316 partly confiscated "German Property" by the occupying
328 powers or dismantled as war industries. Thus a complete renovation was necessary in which not the least concern was the regard for supplying the required raw materials for the industries of finished and final products. Another aim was to defend these industries, which depend so much

upon the world market and upon reactions in periods of crisis, to keep iron mining within reasonable limits and to prevent social and economic dislocations. [327] 316 328

Planned investments have been carried out within the last few years in iron mining, smelting and in the metal industry. In the lead industry (Bleiberger Bergwerksunion) the extension of mining has been taken up again through mechanization of mining operations and the extended supply of electrical current; in smelting the utilization of various by-products (Raffinade) has been extended. As a first step in tin smelting, and to cover the urgent demands for sulphuric acid, the Bleiberger Bergwerksunion has started to build a smelter and in connection with it a plant for production of sulphuric acid. The plants will be ready for production early in 1951. Upon completion of the first stage of this project the plants will produce approximately 15,000 tons of sulphuric acid annually as compared with an annual total demand of 55,000 tons. To utilize the by-product zinc-ore the building of a zinc-smelting plant is projected (with an annual capacity of 10,000 tons of metal). There is a demand for about 12,000 tons of copper annually in Austria. Approximately 2,500 tons of this amount may be reclaimed annually from utilizing scrap metals. Copper mining is concentrated at Mitterberger Kupferbergbau and at the Bergbau in Mühlbach, am Hochkönig; these works alone contain the potentialities of further production. It is intended to push the mines to a depth of 120 meters. Furthermore, the capacity of mining equipment shall be increased, including dressing machinery and other mining tools; thus the production of mining tools of all types will increase from 6,000 to between 11,000 and 12,000 tons a month, corresponding to an annual increase in the amount of copper to approximately 2,750 tons. To smelt the by-product ores of this mine and other minor mining sites the erection of an electric-reduction oven at the Montan Werke at Brixlegg (Tyrol) has been proposed, capable of producing up to 15,000 tons of concentrates, i.e., 4,000 tons of copper. Moreover, the erection of extensive electric installations and high-tension long lines as well as the erection of low-frequency smelting ovens will be undertaken. Also the capacity of electrolysis will be increased from 5,000 to 6,000 tons of cathode copper per year. In a similar way nickel-vitriol will be produced.

industries of production goods and consumer goods, will gain top importance. 434 454

During the Marshall Plan period preference was given to short-term investments within the scope of the Austrian Investment Program 1950-52. The aim was to ease the strain on the balance of payments, either by an increase of exports or by a decrease of the import demands, whether by direct or indirect means (for instance, by lower prices for semi-manufactures in industries which depend upon exports). The decisive factor for the selection of investments was the degree of contribution to the balancing of payments within the shortest time possible. This had to be coordinated with the requirements for big projects which had been started or were far advanced. In this way the projects could be completed in a technically and economically sound way. By finishing the started projects, especially in electric energy and in the iron and steel industry, Austria should be enabled to use its rich natural resources (water power, iron ore) as rationally as possible and better than was the case before. In view of the low capacity of the domestic capital market these projects had to be carried out, as far as possible, within the ERP period. In spite of the continuation of big industrial projects, the main tendency of the three-years' program (1950-52) is to give industries and crafts which need export outlets as well as the tourist traffic higher counterpart sums in the last two years than they received in 1948-49. It is self-evident for reasons of export and social policy that the investment plan tries to support, above all, small and medium-sized enterprises of the semi-manufactures category and the crafts. [457] 652 454 457

Development of the most important economic fields is on the average satisfactory. One has to consider, however, that the full results of investment projects, especially the big ones, will not show up until 1954-55. Most impressive has been the development of the iron producing industry. Thus, for instance, in 1950 about 15 times more raw iron and 5 times more raw steel and rolled products were produced than in 1946. The production of the iron producing industry surmounted that of the prewar level in 1945. Compared to 1937, by 1950 the production of raw iron was higher by 128 per cent, that of raw steel by 46 per cent, that of rolled products by 37 per cent, and that of pressed and wrought iron products by as much as 246 per cent. This development continued in 1951. Thus, the production of 433 327

433 raw iron was increased to about 1.04 million tons (as
[337] compared to 883,000 tons in the preceding year) and the raw steel production to about 1.03 million tons (as compared to 943,350 tons in the preceding year). This increase in production was possible through an increase in mining output, which amounted to approximately 2,37 million tons in 1951, as compared to 1.86 million tons
[398] in 1950. In the car industry, emphasis lay on the pro-
[392] duction of tractors, heavy trucks, busses and motor-cycles. Agricultural machinery production was 119 per cent higher in 1950, lathes 110 per cent higher, ball-bearings 327 per cent, nails and screws 56 per cent more than in 1937. Although the electrical industry
[393] had suffered most seriously from war damages and dismantling, and although various raw materials, mostly of foreign origin (such as electric thin-gauge plate, copper, lead and various special products), could be obtained only with difficulty, the total production in 1950 was double that of 1937. This favorable development has continued in 1951 despite the shortage in raw
[391] materials. The chemical industry reached a capacity far higher than before the war in spite of extensive war damages. The Linz Stickstoffwerke, for example, not only cover the domestic demand for nitrogen but export considerable quantities of nitrate of lime and phosphate. Production of the latter amounted to 525 tons per month in 1938, during the first six months of 1951 it reached an average of 35,000 tons per month. The results in some finishing and consumer goods industries lagged behind, but even so substantial increases could be reached, especially in enterprises which are important
[289] for export (for example, the paper industry). By 1950 three per cent more paper was produced than in 1937.

[316] A remarkable increase was made in domestic
[377] soft coal mining. The production of electric current rose from 3,050 million kwh, 1946, to 4,911 million kwh, 1950, an increase of 61 per cent. This remarkable increase of capacity in 1950 is almost exclusively due to water power, the production of which increased to 690 million kwh. In extending and financing electric power projects differentiation must be made between finishing started projects (water-power plants, steam plants, transmission lines and transformers), new construction, international projects, export, and projects of local importance (see Wirtschaftsberichte No. 12, October 1951: "Oesterreichische Wasserkräfte als Beitrag zur Energieversorgung Westeuropas," by Erich Heller and Oscar Vas).

On the left bank of the Enns, running eastwards, the road leads past the Grabnerhof, a modern agricultural college, and through the little village of Weng, climbing steeply to Buchau. 874

Through meadows and woods the little road leads out of a realm of solitude past traces of the bygone days of the "Ironmasters" to come gradually into more populated and livelier surroundings. In 1150 this place was called St. Gallus-in-Silva, i. e. St. Gallen-in-the-Wood—and the descriptive name is still applicable. 361

The main road from Admont to the East runs towards the Hohen Buchstein, at the foot of which road, railway and river enter that unique natural phenomenon which the Enns through countless aeons has carved out of the chalk cliffs, the Gesäuse. A sunny, cheerful forest valley, the river tearing its way through the rocks below, and on both sides high forests filled with the rushing wind and the songs of birds in the tree-tops. Now and again a stone avalanche falls from distant heights with the re-echoing crash of falling debris. Where small lateral valleys join the Ennstal they afford above dark forests glimpses of the gorges and heights of the Gesäuseberge. It is an exciting excursion, no matter whether the traveller looks out from the window of a train or the back of a car, or, disregarding the fatigue of going on foot in the old way, enjoys the beauty of the Upper Styrian mountain world in a four-hour walk. 133

Into the Gesäuse runs the Johnsbach Valley, once filled with noisy life by blacksmiths and their apprentices, but now a popular point of entry for mountaineers who whish to climb the heights of the Reichenstein, Ödstein, Planspitze and Hochtor. In Gstatterboden, on the calmer reaches of the river, the mountain giants are again visible in all their majesty.

Where the Erzbach joins the Enns lies Hieflau, long famous for its output of Styrian iron. The nearby Erzberg and the waterway of the Enns enabled Hieflau to establish and develop its furnaces, to turn out iron ingots and to build workers' houses. There are still some remains of the great Enns Dam, a picturesque construction of the hydraulic engineer Hans Gasteiger, who was buried in Kirchlandl in 1577. 361 327

The Enns, now flowing northwards, buries itself deeply between high plateaus on which farmers have long been settled amidst meadows and woods. Hastening past Gross-Reifling with its castle-like houses dating from the times of the iron carriers

133

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

key industries. German capital was conspicuous in the spheres of banking and insurance, the iron and steel industry, heavy and electrical engineering, the chemical industry, textiles, hydro-electric works, and in the film industry. In many cases, of course, German capital opened up new opportunities, with benefits to all concerned. But more often German control resulted in the complete subordination of the policy of the Austrian firm to the interests of the German parent concern or to the political aims of the German expansionists.

In the electrical engineering industry, for instance, which was dominated by the German controlled Oesterreichische Siemens Schuckert Werke A.G., Siemens-Halske A.G., and the A.E.G.—Union Elektrizitaets—Gesellschaft, the goodwill which Austrian industry possessed in south-eastern Europe was exploited by using the Austrian establishments for exports to these areas. But the development work was invariably carried out in Germany. Austrian research workers and technicians were sent to the Berlin laboratories, and Austrian shareholders deprived of their dividends in order to strengthen the financial reserves of the parent concern. Accordingly, the Austrian establishments became increasingly dependent on German patents and finance while Austria's social and economic requirements were completely neglected.

Many similar examples could be given from other industries. One case, which deserves special mention is that of the biggest single Austrian combine, the Alpine Montan A.G. The Alpine owned all the important iron mines in Styria and Carinthia, all Austrian blast furnaces, a great number of steel works in southern Austria, lignite and magnesite deposits and railways. It controlled the bulk of Austria's metallurgical resources.

AUSTRIA'S ECONOMIC DEVELOPMENT

The Alpine had been the offspring of a merger of many small companies in the days of the Monarchy. After the war the majority of shares was acquired by the Government, but in 1919—during the most critical period—they were sold to a group of Italian financiers. From there, in 1921, they passed into the hands of the notorious German inflation profiteer, Hugo Stinnes. When his meteoric rise came to a sudden end the majority of shares (56 per cent) were acquired, in 1926, by a member of the German Steel Cartel, the Vereinigte Stahlwerke of Duesseldorf, a combine headed by the Nazi promoter Fritz Thyssen.

From then on this most important combine in Austria's heavy industry was run exclusively in the interests of the German Steel Trust. All the important positions and research facilities were reserved for adherents of "Pan-German" convictions. The workers were forced to leave their free trade unions and to join the *Heimwehr*, an armed, anti-democratic body, whose Styrian branch was heavily subsidized by the Alpine Montan. As early as 1931, the Styrian *Heimwehr* organized an unsuccessful *coup d'état* against the Austrian Government. A number of directors of the Alpine Montan were behind this *putsch*. They were again involved, and actually arrested for a short time, when the Nazis made an abortive *putsch* in July, 1934, in the course of which Chancellor Dollfuss was murdered.

On the outbreak of the great economic depression the German steel magnates decided to concentrate production in Germany. All Austrian blast furnaces were closed down and the industrial districts of Styria were thus converted into one of the worst-depressed areas in Europe. After Hitler's rise to power, the Alpine was completely harnessed to the German armament programme, regardless of Austria's political or economic needs. In 1937, when

THE SHADOW OF GERMANY

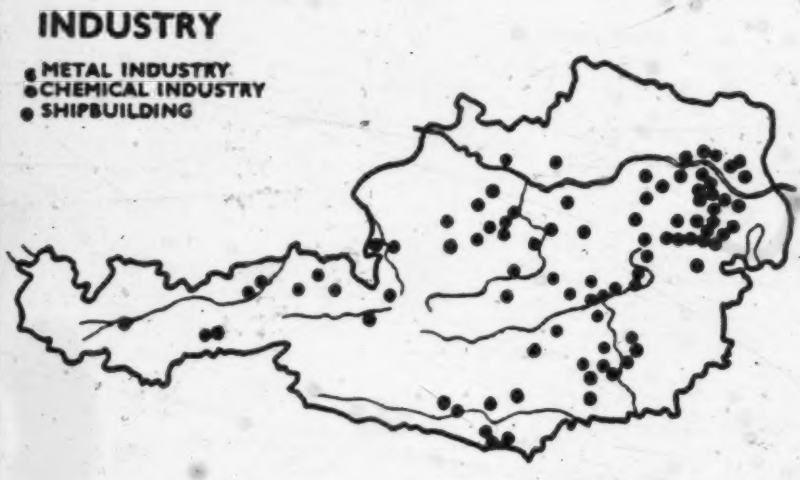
Austria was in great need of "free currency", the Alpine refused orders from England and other countries, and sent its whole output to Germany, in spite of the clearing debts which had accumulated there. Ultimately the behaviour of the directors became so hard to distinguish from high treason that the Austrian Government put a Government Commissioner in charge of the firm. But it was too late. A few weeks later the policy which the directors of the Alpine had backed all along was fulfilled—Austria was occupied by Germany.

Direct ownership and control were not the only means by which the Germans exerted their influence in the economic affairs of Austria. Recent investigations by the American Anti-Trust Division have shown how, over a long period, German combines used international cartels in order to increase Germany's economic war potential.[3] If powerful monopolistic concerns in Britain and the United States could be induced to act against the interests of their own nation it is clear that the Germans had much easier play as far as Austria was concerned.

Cartelization was a widespread feature of Austria's industrial structure. The wide ramifications of industrial investments of the major banks greatly smoothed the way for trade agreements, mergers, etc. Many of these cartels worked in close agreement with their German counterparts. Owing to their much greater financial strength the German firms had the decisive say in directing cartel policy. In their desire for high and safe profits the Austrian cartel members not only damaged consumers through their restrictionist policies; they also betrayed the economic and political interests of their country in favour of Germany.

These direct economic influences were supplemented by other, more subtle, methods. From the day of the

[CR CATEGORY 116, P. 91 — ANALYST]


INDUSTRY
METAL INDUSTRY
CHEMICAL INDUSTRY
SHIPBUILDING
327
38
316

INDUSTRY
WOOD
PAPER
313
281

[p. 113]